

Greenhouse Gas Reduction Revolving Loan Program – Overview and Criteria

Fiscal Year 2014/15

Purpose

The intent of the Greenhouse Gas Reduction Revolving Loan Program is to promote in-state development of infrastructure to process California-generated organics and other recyclable materials into new value-added products. The initial portion of the program will be competitive.

Eligible Applicants

- Government entities: cities, counties, regional or local sanitation agencies, waste agencies, and joint power authorities
- Private, for-profit entities {For purposes of this program, a “private, for-profit entity” is defined as a business intended to return a profit to its owner(s)}. Corporations and limited liability companies must be registered and in good standing with the California Secretary of State Registration and status can be verified at <http://kepler.sos.ca.gov/>
- Non-profit corporations registered under section 501 of the Internal Revenue Code

Project Requirements

Projects must be located in California and result in permanent, annual and measurable:

1. Reductions in Greenhouse Gas (GHG) emissions; **and**
2. Increases in the diversion of California-generated non-hazardous solid waste materials currently being landfilled

Permit Requirements

Applicants must obtain all significant applicable federal, state, and local permits prior to loan approval. Major permits may include: Air Quality Management District, Wastewater Discharge, Fire, Solid Waste Facility, and Conditional Use Permits. Any required CEQA review must also be completed. CalRecycle will determine which applicable permits are significant.

Eligible Types of Projects

- Construction, renovation or expansion of facilities in California that compost, anaerobically digest, and/or use other related digestion or fermentation processes to turn green or food materials into value-added products
- Construction, renovation or expansion of manufacturing facilities in California using California derived fiber, plastic, glass or other non-hazardous solid waste materials to produce recycled-content raw feedstock material or final products. (*For applications submitted after February 15, 2015*)

Eligible Costs

- Purchase of equipment and machinery
- Real estate improvements associated with the installation of the equipment and machinery
Generally, the land owner will need to provide a deed of trust to ensure that the loan has adequate collateral.

Loan Underwriting Requirements

1. Experience: work and educational experience of the facility operator
2. Ability to repay the loan: financial capacity of the project and the borrower to generate sufficient cash flow from the sale of recycled-content products to repay the loan (or other sources if the borrower is a government entity)
3. Adequacy of the collateral: the collateral value must match or exceed the loan amount
4. An owner of 20 percent or more of the applicant business must guarantee the loan. CalRecycle may ask other owners or key management to also provide a guarantee.

Applications which meet the above criteria will be recommended to the Loan Committee for approval.

Loan Application Priority Criteria

- *Until January 15, 2015.* Applications will be accepted for projects using organic material. Those applications will be evaluated competitively, based on three categories consistent with the Organics Grant Program Scoring Criteria: GHG emission reductions, tons of organic material, and benefits to environmentally burdened and economically vulnerable (EBEV) communities.
- *After February 15, 2015.* If funding is available, applications will be accepted for projects using organic or any other type of non-hazardous solid waste material and will be evaluated on a first-come, first-served basis.

Schedule of Fees and Costs

- Loan Application Fee \$300
- Loan Closing Points: 0.50%
- Loan Interest Rate: 4.00%

Greenhouse Gas Reduction Revolving Loan Program Fund

The Governor's proposed budget reflects that \$9,662,000 will be available to fund new loans in the 2014/15 fiscal year.

Program Expense	FY 2014/15
New loans	\$9,662,000
Administrative	\$338,000
Total	\$10,000,000

Loan Funding

- The maximum loan amount is \$5,000,000 or 75% of the total project cost, whichever is less
- Matching fund requirement is 25% of the total project cost
- A borrower and its related entities may receive more than one loan, but may not have more than \$5,000,000 in total principal outstanding on all CalRecycle loans at any one time

Loan Term

The maximum loan term generally is 10 years when collateralized by assets other than real estate or 15 years when partially or wholly collateralized by real estate. However, the term of the loan shall not exceed the useful life of the equipment, and so some loans may be less than 10 years.

Timeline

Dates	Activity and Details
February 2014	Stakeholder Workshop
February 2014	Criteria Development
March 2014	Criteria RFA Presentation
May 2014	Application Release
January 15, 2015	Application Due Date for Organics Projects
After February 15, 2015	Applications Accepted for All Projects